



ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000
7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778
EMAIL ADDRESS: ASKMAC@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

*Paul Matson
Director*

MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

**Friday, February 17, 2012
8:30 A.M., MST**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. David Byers, Chair of the ASRS Board, called the meeting to order at 8:32 A.M., MST.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. David Byers, Chair
Mr. Tom Manos, Vice-chair
Mr. Tom Connelly (arrived at 8:33 A.M.)
Mr. Chris Harris
Professor Dennis Hoffman
Mr. Kevin McCarthy
Mr. Michael Townsend
Mr. Steve Zeman

A quorum was present for the purpose of conducting business.

2. Presentation Regarding the PRIDE Award for Professionalism

Mr. Tom Connelly arrived.

Mr. Paul Matson, Director, recognized the following nominees for the PRIDE Award for Professionalism: Martha Rozen, Donna McNally, Sarah Korish, Mark Kimball, and Leah Nemecek. They were nominated by staff who feel they exemplify the following PRIDE qualities of professionalism:

- Displays a positive demeanor (friendly, responsive, courteous) even when confronted by adversity
- Has subject matter expertise
- Possesses good communication and active listening skills
- Is a trusted contributor (manager, leader, SME, analyst, teammate)
- Takes personal accountability
- Has proactive and responsive approach to internal and external customer needs
- Has critical thinking skills
- Has an honest, fair and non-judgmental mindset
- Is adaptable to change that benefits members, associates and stakeholders
- Adheres to the ASRS code of Conduct

Ms. Martha Rozen, Chief of Administrative Services, assisted Mr. Matson with the presentation of the PRIDE Award for Professionalism to the award winners, Mr. Mark Kimball and Ms. Sarah Korish.

3. Approval of the Minutes of the January 20, 2012 Public Meetings of the ASRS Board

Motion: Mr. Michael Townsend moved to approve the minutes of the January 20, 2012 Public Meetings of the ASRS Board. Mr. Tom Manos seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

4. Presentation, Discussion and Appropriate Action Regarding the 2012 Legislative Session

Mr. Pat Klein, Assistant Director, External Affairs, introduced Ms. Lesli Sorensen, Government Relations Officer, who addressed the Board regarding ASRS 2012 legislative initiatives and legislative proposals by other organizations that affect the ASRS. Ms. Sorensen presented the bill tracker, dated February 16, 2012, summarizing ASRS 2012 legislative initiatives.

5. Presentation, Discussion and Appropriate Action Regarding Setting a Minimum and Maximum Contribution Rate

Mr. Byers introduced Dr. Robert Letson, ASRS Member, who participated in the meeting via teleconference. Dr. Letson requested to address the Board regarding setting minimum and maximum contribution rates (CR). Dr. Letson said he was concerned about the matter of intergenerational inequities and proposed the Board adopt a total maximum CR of between 9% and 10% and a minimum CR of 4.5% to 5%. He felt this would reduce intergenerational inequities through appropriate reductions in current CRs.

Discussion ensued regarding this course of action, as well as reviewing the 8% rate of return and the deficit pay-down period. An Asset Allocation Study is being done and will possibly be presented to the Board in three months. At that time, the 8% rate of return will be formally reviewed. Mr. Matson noted statutes indicate a rolling 30 years to pay down any fund deficit. He said a future discussion would be beneficial regarding changing the period to "not to exceed 30 years."

Mr. Byers asked if the Experience Study, to be done by Buck Consulting, Inc., could address the possibility of setting a minimum and/or maximum CR. Mr. Matson indicated it would be addressed in the study. Some Trustees felt setting a minimum and/or maximum CR did not fall within the duties of the Board, rather, the Legislature should determine if any change is needed and what that change would be.

6. Presentation, Discussion and Appropriate Action Regarding the Director's Report as well as Current Events

Mr. Matson presented the Director's Report. He noted there was a new Risk Report included in the Investments section, and explained the report to the Board.

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, provided an update on the Call Center portion of the Operations Report.

7. Presentation and Discussion with Respect to Informational Updates from the Operations Committee Meeting on December 8, 2011

Mr. Steve Zeman, Chair, Operations Committee (OC), provided an update on the December 8, 2011 OC meeting. He said the next OC meeting will take place February 23, 2012.

8. Presentation and Discussion with Respect to Informational Updates from the External Affairs Committee Meeting on February 3, 2012

Mr. Michael Townsend, Chair, External Affairs Committee (EAC), and Mr. Klein provided an update on the February 3, 2012 EAC meeting. Mr. Townsend said the next EAC meeting will take place March 2, 2012.

9. Presentation and Discussion with Respect to Informational Updates from the Investment Committee Meetings on November 14, 2011 and February 13, 2012

Mr. Tom Connelly, Chair, Investment Committee (IC), introduced the topic. Mr. Gary Dokes, Chief Investment Officer, and Mr. Dave Underwood, Assistant Chief Investment Officer, provided an update on the November 14, 2011, and February 13, 2012 IC meetings. The next IC meeting will take place April 16, 2012.

10. New Agenda Items

No requests were made.

11. Call to the Public

No members of the public requested to speak.

12. Presentation, Discussion and Appropriate Action with Respect to the 2011 Review of the Director of the ASRS

Mr. Byers said the Board would adjourn to Executive Session which would take place in the 14th floor conference room in about 10 minutes and would adjourn from there.

The Board recessed from the Regular Meeting at 10:52 A.M. to relocate to the 14th floor.

After verifying with the Tucson office that no members of the public were remaining in attendance, it was decided not to reconnect to the Tucson office via teleconference upon adjournment of the Executive Session.

Motion: Mr. Christopher Harris moved to go into executive session to discuss the Director's review. Mr. Steve Zeman seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

The Board convened to Executive Session at 11:02 A.M.

During the Executive Session at 11:48 A.M., Mr. Kevin McCarthy departed the meeting.

The Board returned to the Regular Meeting at 12:40 P.M.

Motion: Chair, Dave Byers moved pursuant to A.R.S. § 38-714 to reappoint Paul Matson as Director of the Arizona State Retirement System for the next fiscal year and to award him a 5% salary increase effective February 18, 2012, the first day of the next pay cycle.

Paul Matson agreed to accept the appointment.

Having accepted the position again which will take him through June 2013, the Board awards Mr. Matson the first two years of the retention incentive agreed to by the Board at the Director's Performance Review during the May 21, 2010 Board meeting.

The Board also awards Mr. Matson ten additional vacation days for the next fiscal year.

Mr. Tom Manos seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

The Chair also commended Mr. Matson for his outstanding performance as Director, noting a long list of accomplishments including a tremendously positive relationship with the Legislature, especially as they worked through the return to work issues, and for the agency achieving a 25% investment return, putting the ASRS into the top 10% of retirement plans.

13. The next ASRS Board meeting is scheduled for Friday, March 16, 2012, at 8:30 A.M., at 3300 N. Central Avenue, 10th Floor Board room, Phoenix, Arizona.

14. Adjournment of the ASRS Board

Mr. Byers adjourned the Board meeting at 12:44 P.M.

ARIZONA STATE RETIREMENT SYSTEM

Lisa Maddox
Board Secretary

Date

Paul Matson
Director

Date